

26 October 2021

BROAD-BASED LFL GROWTH IN Q3; IMPROVED 2021 REVENUE OUTLOOK

	Q3 2021			YTD 2021		
	£m	LFL ¹	Reported	£m	LFL ¹	Reported
Hygiene	1,449	+2.9%	-2.8%	4,476	+12.7%	+5.9%
Health ²	1,186	+3.6%	-2.5%	3,330	-5.7%	-10.5%
Nutrition ²	640	+3.8%	-20.6%	2,067	+0.7%	-16.6%
Group net revenue²	3,275	+3.3%	-6.8%	9,873	+3.6%	-5.3%

¹ LFL growth excludes IFCN China, Scholl and Biofreeze for the entirety of the current and prior periods. Non-GAAP measures are defined on page 9.

² Net revenue includes IFCN China and Scholl for the period under ownership (to 9 September and 1 June, respectively) and Biofreeze (from 12 July). Additional financial information, reflecting the disposal of IFCN China, is provided on page 6.

Q3 highlights:

- * **Group like-for-like ('LFL') net revenue growth of +3.3%:** broad-based growth, balanced between volume and price/mix and an encouraging start to the cold and flu season; two-year 'stacked' net revenue growth up over 18%
- * **Group reported net revenue decline of -6.8%:** LFL growth of 3.3% was offset by a negative net M&A impact of 5.0%, primarily related to IFCN China, and adverse FX of 5.1%
- * **Hygiene LFL growth of +2.9%:** continued growth in Finish and Air Wick, offset by a slight decline in Lysol against a very strong comparative period
- * **Health LFL growth of +3.6%:** sharp improvement in cold and flu sales trends; lower declines in Dettol; continued positive momentum in Intimate Wellness; Biofreeze double-digit growth in Q3 (not included in LFL)
- * **Nutrition LFL growth of +3.8%:** growth in each of the three IFCN regions, with VMS declining slightly; reported net revenue declined 20.6% reflecting the lower revenue from IFCN China
- * **eCommerce LFL growth +23%:** 2-year 'stacked' net revenue growth of 86%

Commenting on these results, Laxman Narasimhan, Chief Executive Officer, said:

“In September, we reiterated the building blocks which will see Reckitt return to mid-single digit revenue growth and mid 20’s margins. There is more to be done, but today’s results are testament to our progress, with 3.3% LFL revenue growth building on the 15.3% growth of Q3 2020. We’ve delivered growth in each of our three GBUs and in each of our three geographic regions, with a balance of volume and price/mix across the portfolio. Nine of our ten largest brands are up double-digits on a two-year basis.

Reflecting this strength, we now expect like-for-like net revenue growth for FY 2021 in the range of 1-3%. Despite significant cost pressures, the benefits of our pricing actions, mix and productivity programme, mean our margin guidance is unchanged, and we remain confident in our medium-term outlook.”

GROUP REVIEW

	£m	Volume	Price/ Mix	LFL ¹	Net M&A	FX	Reported
Q3 2021	3,275	+1.6%	+1.7%	+3.3%	-5.0%	-5.1%	-6.8%
YTD 2021	9,873	+0.8%	+2.8%	+3.6%	-3.2%	-5.7%	-5.3%

¹ LFL growth excludes IFCN China, Scholl and Biofreeze for the entirety of the current and prior periods. Non-GAAP measures are defined on page 9.

Broad-based and balanced growth against a strong comparative period

Group net revenue grew by 3.3% on a LFL basis in Q3 with volume growth of 1.6% and price/ mix improvements of 1.7%. Strong price/mix growth in Nutrition and Developing Markets has been offset to a degree by more normal levels of trade investment in our disinfection brands. Revenue growth builds on 15.3% LFL growth in the comparative period resulting in two-year 'stacked' growth of 18.6%.

Growth was broad-based, with each of the three GBUs and each of the three geographic regions growing in the quarter. Brands less sensitive to COVID dynamics, representing around 70% of our portfolio, continued to grow, on average, by mid-single digits.

The net effect of M&A was a 5.0% reduction in revenue in the quarter. This related primarily to lower net revenue from IFCN China, and also included the disposal of Scholl and the acquisition of Biofreeze.

FX headwinds reduced net revenue by 5.1% due primarily to a general strengthening of Sterling against many currencies.

eCommerce LFL net revenue grew 23% in the quarter, with two-year 'stacked' growth of 86%, and now accounts for 12% of Group net revenue (excluding IFCN China). Growth was broad-based and driven across geographies, GBUs and channels.

Outlook

Following stronger than expected trading in Q3, we now expect LFL net revenue growth for FY 2021 in the range of 1-3%. This assumes a softer performance in Q4, reflecting primarily a likely reduction in COVID prevalence in the US and the resulting impact on Lysol. Additionally, whilst early season demand for our cold and flu relief products has been encouraging, it is too early to predict the extent to which trends will continue.

COGS inflation continues to be challenging, particularly in areas such as surfactants, paper, tinplate and ocean freight, and is currently running at around 10%. However, our 2021 Group adjusted operating profit margin guidance, excluding IFCN China for the entirety of the year, remains unchanged at 22.7-23.2%. As previously guided, our total Group margins will be lower due to the dilution related to IFCN China.

The trading backdrop is set to remain dynamic over the coming months. In addition to cost pressures, COVID continues to influence demand and buying patterns for our disinfection, and cold and flu relief products. However, 70% of our portfolio is less sensitive to COVID dynamics and growing at mid-single digits and we have pricing actions and productivity plans firmly in place. We therefore remain confident in delivering margin improvement in 2022 and we are on track to exit 2022 with mid-single digit LFL net revenue growth.

We expect the 2021 adjusted net finance expense to be c.£240-260m, and the 2021 adjusted tax rate to be around 22%.

OPERATING SEGMENT REVIEW

Hygiene

44% of net revenue in Q3 2021

	£m	Volume	Price/Mix	LFL ¹	FX	Reported
Q3 2021	1,449	+2.7%	+0.2%	+2.9%	-5.7%	-2.8%
YTD 2021	4,476	+9.9%	+2.8%	+12.7%	-6.8%	+5.9%

¹ Non-GAAP measures are defined on page 9.

Hygiene net revenue grew 2.9% on a LFL basis to £1,449m in the quarter. This reflected volume growth of 2.7% and price/mix improvements of 0.2% which was driven by strong growth in Latam offset by more normal levels of trade investment in Lysol.

Finish and Air Wick grew mid-single digits, with good growth across most major markets. This is despite the strong performance in the comparative period, where consumers were spending more time at home.

During the quarter, the spread of the Delta variant in the US resulted in a significant increase in COVID cases, peaking in late August. As a result, Lysol revenue, following double-digit declines in July, strengthened during the remainder of the quarter leading to a low-single digit decline overall, better than original expectations. Market share improvements for Lysol remain strong, with further share gains in both wipes and disinfectant spray in the US.

Other key brands performed well in the quarter, most notably Vanish, with broad-based, double-digit growth, reflecting increased social activity.

Health

36% of net revenue in Q3 2021

	£m ¹	Volume	Price/Mix	LFL ²	Net M&A	FX	Reported
Q3 2021	1,186	+2.2%	+1.4%	+3.6%	-1.2%	-4.9%	-2.5%
YTD 2021	3,330	-7.0%	+1.3%	-5.7%	-0.2%	-4.6%	-10.5%

¹ Net revenue includes Scholl for the period under ownership (to 1 June) and Biofreeze (from 12 July).

² LFL growth excludes Scholl and Biofreeze for the entirety of the current and prior periods. Non-GAAP measures are defined on page 9.

Health net revenue grew on a LFL basis by 3.6% in the quarter to £1,186m. This reflected a volume growth of 2.2% and price/mix improvements of 1.4% with strong pricing growth in Developing Markets, offset by a normalisation of trade investment in Dettol. The net impact of the disposal of Scholl and the acquisition of Biofreeze reduced net revenue by 1.2% in the quarter primarily as a result of the relative size of the businesses.

Dettol net revenue continues to show signs of stabilising significantly above 2019 levels. Revenue declined in the quarter, but at a lower rate than Q2. This improvement was due in part to a return to growth in China, one of Dettol's largest markets and the first to be impacted by COVID.

Strong growth in Intimate Wellness continued, up mid-single digits, against a strong comparative which saw social restrictions eased in a number of markets, as well as the launch of the PU condom.

Overall, our OTC portfolio grew over 20% in the quarter, driven primarily by Mucinex sales which benefited from a sharp improvement in cold and flu sales trends which accelerated throughout the quarter. Our portfolio of cold and flu relief products gained significant share in the quarter, reversing the trends of the first half of the year. Gaviscon continued to grow double-digits due to innovation and supply chain improvements.

Within personal care Veet grew mid-single digits, as innovations such as Veet Minima/Pure and Veet Men offset the difficult comparatives.

The acquisition of Biofreeze completed on 12 July. Performance of the business continues to be strong, with double-digit net revenue growth in the quarter due to successful marketing execution and innovation.

Nutrition

20% of net revenue in Q3 2021

	£m ¹	Volume	Price/ Mix	LFL ²	Net M&A	FX	Reported
Q3 2021	640	-2.5%	+6.3%	+3.8%	-20.0%	-4.4%	-20.6%
YTD 2021	2,067	-5.2%	+5.9%	+0.7%	-11.7%	-5.6%	-16.6%

¹ Nutrition net revenue includes the revenue contribution from IFCN China for the period under ownership (to 9 September).

² LFL net revenue growth excludes the contribution from IFCN China for the entirety of the respective periods. Non-GAAP measures are defined on page 9.

Nutrition net revenue grew on a LFL basis by 3.8% in the quarter to £640m. This reflected volume decline of 2.5% and price/mix improvements of 6.3% due to pricing growth in IFCN North America and VMS. Reported net revenue declined 20.6% primarily reflecting the decline in IFCN China revenue.

IFCN net revenue grew 5% on a LFL basis. The US business, which represents around half of IFCN revenue, grew high-single digits. This has been driven primarily by Nutramigen – our Specialty brand – and good share gains in the base Enfa business, along with an increase in birth rates in recent months. Our business in ASEAN returned to growth following the increased focus placed on the business in recent months, whilst in Latam, trading continues to be positive.

Our Vitamins, Minerals and Supplements business declined slightly, as Neuriva our brain support supplement continued to perform strongly, offsetting declines in Airborne.

IFCN China

IFCN China contributed revenue of £51m in Q3 and £375m YTD. As previously guided, the business is expected to be dilutive to 2021 Group margins reflecting difficult trading and certain costs incurred prior to the transfer of the business.

Performance by Geography

Q3 2021	£m	Volume	Price/ Mix	LFL ¹	Net M&A	FX	Reported
North America	1,079	+4.1%	+1.0%	+5.1%	+2.4%	-6.5%	+1.0%
Europe/ANZ	1,055	+1.0%	-0.4%	+0.6%	-3.2%	-5.0%	-7.6%
Developing Markets	1,141	+0.3%	+3.9%	+4.2%	-12.6%	-4.0%	-12.4%
Group net revenue²	3,275	+1.6%	+1.7%	+3.3%	-5.0%	-5.1%	-6.8%
YTD 2021							
North America	3,088	+2.0%	+3.9%	+5.9%	+0.7%	-8.1%	-1.5%
Europe/ANZ	3,170	-1.3%	+0.4%	-0.9%	-1.0%	-3.1%	-5.0%
Developing Markets	3,615	+1.9%	+3.9%	+5.8%	-8.3%	-6.0%	-8.5%
Group net revenue²	9,873	+0.8%	+2.8%	+3.6%	-3.2%	-5.7%	-5.3%

¹ LFL net revenue growth excludes the contribution from IFCN China, Scholl and Biofreeze for the entirety of the respective periods. Non-GAAP measures are defined on page 9.

² Group net revenue includes the revenue contribution from IFCN China (Developing markets) and Scholl (all geographies) for the period under ownership (9 September and 1 June, respectively) and Biofreeze (North America from 12 July).

North America Q3 net revenue grew +5.1% on a LFL basis, with growth in Mucinex and IFCN more than offsetting declines in Airborne.

Europe/ANZ Q3 net revenue grew by +0.6% on a LFL basis, as good growth in Nurofen, Strepsils, Durex and most Hygiene brands was offset by declines in Dettol.

Developing markets Q3 net revenue grew by +4.2% on a LFL basis with good growth across Durex, OTC and VMS brands offsetting an overall decline in Dettol.

ADDITIONAL FINANCIAL INFORMATION: HISTORICAL PERFORMANCE BY GBU, EXCLUDING IFCN CHINA

As IFCN China will remain presented within continuing operations for 2021 and 2020, Reckitt has published the additional financial information below to provide visibility of the Group's performance excluding IFCN China for the current and prior period.

Quarterly LFL¹ net revenue growth

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Hygiene	+12.8%	+19.4%	+19.5%	+25.7%	+28.5%	+7.8%	+2.9%
Health ²	+22.8%	+10.8%	+12.6%	+2.8%	-14.1%	-5.6%	+3.6%
Nutrition	+5.0%	+3.5%	+10.8%	+1.9%	-5.3%	+3.8%	+3.8%
Group	+15.0%	+12.9%	+15.3%	+12.3%	+5.3%	+2.2%	+3.3%
Group (as published)	+13.3%	+10.5%	+13.3%	+10.2%	+4.1%	-1.0%	+3.3%

1 Non-GAAP measures are defined on page 9.

2 Health Q1 2021 LFL net revenue growth restated for the disposal of Scholl.

Quarterly net revenue

£m	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Hygiene	1,355	1,382	1,490	1,589	1,641	1,386	1,449
Health	1,343	1,159	1,217	1,171	1,123	1,021	1,186
Nutrition	624	586	602	614	550	553	589
Group	3,322	3,127	3,309	3,374	3,314	2,960	3,224
Group (as published)	3,544	3,367	3,513	3,569	3,506	3,092	3,275

Half yearly net revenue

£m	H1 2020	H2 2020	FY 2020	H1 2021	LFL ¹		
					H1 2020	FY 2020	H1 2021
Hygiene	2,737	3,079	5,816	3,027	+16.1%	+19.5%	+18.0%
Health	2,502	2,388	4,890	2,144	+17.0%	+12.1%	-10.2%
Nutrition	1,210	1,216	2,426	1,103	+4.3%	+5.4%	-0.9%
Group	6,449	6,683	13,132	6,274	+13.9%	+13.9%	+3.7%
Group (as published)	6,911	7,082	13,993	6,598	+11.9%	+11.8%	+1.5%

¹ Non-GAAP measures are defined on page 9.

Adjusted operating profit¹

£m	H1 2020	H2 2020	FY 2020	H1 2021
Hygiene	687	818	1,505	774
Health	716	618	1,334	468
Nutrition	213	164	377	183
Group	1,616	1,600	3,216	1,425
Group (as published)	1,696	1,605	3,301	1,424

¹ Non-GAAP measures are defined on page 9.

Adjusted operating profit margin¹

	H1 2020	H2 2020	FY 2020	H1 2021
Hygiene	25.1%	26.6%	25.9%	25.6%
Health	28.6%	25.9%	27.3%	21.8%
Nutrition	17.6%	13.5%	15.5%	16.6%
Group	25.1%	23.9%	24.5%	22.7%
Group (as published)	24.5%	22.7%	23.6%	21.6%

¹ Non-GAAP measures are defined on page 9.

OTHER MATTERS

The Humidifier Sanitiser ('HS') issue in South Korea is a tragic event, with many parties involved. We continue to make both public and personal apologies to victims. Details of provisions and contingent liabilities relating to the HS issue can be found on page 207 of the 2020 Annual Report and Accounts.

DEFINITIONS

Other non-GAAP measures

Like-for-Like ('LFL'): Net revenue growth or decline at constant exchange rates (see below) excluding the impact of acquisitions, disposals and discontinued operations. Completed disposals are excluded from LFL revenue growth for the entirety of the current and prior years. Acquisitions are included in LFL revenue growth twelve months after the completion of the relevant acquisition. LFL growth also excludes Venezuela.

Stacked net revenue growth: The summation of the net revenue growth for the relevant period in 2021 and 2020, to provide visibility of growth versus periods prior to the start of the COVID-19 pandemic.

Constant exchange rate ('CER'): Net revenue growth or decline adjusting the actual consolidated results such that the foreign currency conversion uses the same exchange rates as were applied in the prior period.

Adjusted Operating Profit and Adjusted Operating Profit margin: Adjusted operating profit reflects the IFRS operating profit excluding items in line with the group's adjusted items policy (refer to the Group H1 2021 results). The adjusted operating profit margin is the adjusted operating profit expressed as a percentage of net revenue.

Other definitions and terms

eCommerce: eCommerce channel net revenue is defined as direct sales from Reckitt to online platforms or directly to consumers. Estimates of total eCommerce sales as a percentage of group revenues includes direct sales and an estimate of sales achieved by our brands corresponding to sales through our omnichannel distributors and retailer' websites.

CONFERENCE CALL DETAILS

We will be hosting a live audiocast followed by a Q&A session for analysts and investors at 8:30am (BST) on Tuesday 26 October 2021.

Please click on the link below to join the live audiocast on the day.

<https://www.reckitt.com/investors/investor-news/>

Alternatively, dial in details are as follows:

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UK: Participants Freephone	08002796619
USA: Participants Freephone	18778709135
Conference ID:	8227328

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Cautionary note concerning forward-looking statements

This announcement contains statements with respect to the financial condition, results of operations and business of Reckitt (the Group) and certain of the plans and objectives of the Group that are forward-looking statements. Words such as 'intends', 'targets', or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including targets for net revenue, operating margin and cost efficiency, are forward-looking statements. Such statements are not historical facts, nor are they guarantees of future performance.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including many factors outside the Group's control. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: the general economic, business, political and social conditions in the key markets in which the Group operates; the ability of the Group to manage regulatory, tax and legal matters, including changes thereto; the reliability of the Group's technological infrastructure or that of third parties on which the Group relies; interruptions in the Group's supply chain and disruptions to its production facilities; increases or volatility in the cost of raw materials and commodities; the reputation of the Group's global brands and Reckitt's ability to innovate and remain competitive; and the recruitment and retention of key management.

These forward-looking statements speak only as of the date of this announcement. Except as required by any applicable law or regulation, Reckitt expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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Reckitt Benckiser Group plc (Reckitt)